

FAQ's for Form E-595QF, Application for Qualifying Farmer Exemption Certificate Number for Qualified Purchases

I have had an agricultural exemption certificate number for many years. Why do I have to reapply?

All agricultural exemption certificate holders are required to reapply based on changes enacted effective July 1, 2014, by the North Carolina General Assembly.

Who is a qualifying farmer?

A "qualifying farmer" is a person who has an annual gross income for the preceding income tax year of ten thousand dollars (\$10,000) or more from farming operations or who has an average annual gross income for the three preceding income tax years of ten thousand dollars (\$10,000) or more from farming operations. A "qualifying farmer" includes a dairy operator, a poultry farmer, an egg producer, a livestock farmer, a farmer of crops, and a farmer of an aquatic species, as defined in N.C. Gen. Stat. § 106-758.

How do I identify my gross income from farming operations for a taxable year?

See additional questions and illustrations below for determining gross income for a taxable year as well as application requirements to document the gross income.

What is meant by the term "farming operations?"

An item is for "farming operations" if it is used for the planting, cultivating, harvesting, or curing of farm crops or in the production of dairy products, eggs, or animals.

I have had an agricultural exemption certificate number that was issued prior to July 1, 2014 and meet the new annual gross income requirements (\$10,000 for the prior income tax year or an average annual gross income for the three preceding income tax years of \$10,000), and engage in a qualifying farming operation. How do I apply for a qualifying farmer exemption certificate number?

Complete and submit Form E-595QF, Application for Qualifying Farmer Exemption Certificate Number for Qualified Purchases, available on the Department's website at <http://dornc.com/downloads/e595qf.pdf>.

Do I have to submit any documentation along with the Form E-595QF application?

Yes. Each applicant must provide gross income documentation along with the Form E-595QF application before the Department can process an application.

What documentation is required to be submitted with the Form E-595QF application to substantiate the gross income requirements for a “qualifying farmer?”

Each applicant must submit the **appropriate income tax schedule** from their Federal tax return that documents gross income from farming operations for the preceding income tax year or the preceding three income tax years.

Does the Department require a copy of the entire Federal Income Tax Return?

No. A copy of the entire Federal Income Tax Return is not required to be submitted along with the Form E-595QF application. The applicant should only submit the pages of the income tax return that substantiate gross income from farming operations and the type of farming operation the applicant is engaged in.

What pages of the Federal Income Tax Return are required to be submitted to the Department by an applicant engaged in farming operations that files as a sole proprietor for income tax purposes to apply for a Qualifying Farmer Exemption Certificate Number?

Schedule F, Profit or Loss from Farming, of Federal Form 1040, U.S. Individual Income Tax Return, for each applicable income tax year which provides the gross income from farming and the type of farming operation. Lines 9 or 50 of Schedule F will be used to determine gross income from farming operations.

What pages of the Federal Income Tax Return are required to be submitted by an applicant to the Department that engages in farming operations and that files as an S corporation for income tax purposes to apply for a Qualifying Farmer Exemption Certificate Number?

Page 1 and Schedule B, of Federal Form 1120S, U.S. Income Tax Return For S Corporation, for each applicable income tax year which indicates the gross income from farming operations and the type of farming operation. Lines 1a or 5 of page 1 of Form 1120S will be used to determine gross income from farming operations.

What pages of the Federal Income Tax Return are required to be submitted to the Department by an applicant that engages in farming operations that files as a C corporation for income tax purposes to apply for a Qualifying Farmer Exemption Certificate Number?

Page 1 and Schedule K, of Federal Form 1120, U.S. Corporation Income Tax Return, for each applicable income tax year which indicates the gross income from farming operations and the type of farming operation. Lines 1a or 10 of page 1 of Form 1120 will be used to determine gross income from farming operations.

What pages of the Federal Income Tax Return are required to be submitted to the Department by an applicant that engages in farming operations and files as a Partnership for income tax purposes to apply for a Qualifying Farmer Exemption Certificate Number?

Page 1 of Federal Form 1065, U.S. Return of Partnership Income, and Schedule F of Federal Form 1040, U.S. Individual Income Tax Return, for each applicable income tax year which indicates the gross

income from farming operations and the type of farming operation. Lines 9 or 50 of Schedule F will be used to determine gross income from farming operations.

What additional documentation is required to be submitted by a sharecropper with the Form E-595QF application?

A sharecropper will need to submit a copy of the crop share agreement for the Department's review. Landowners who have a sharecrop agreement with a tenant may qualify for an qualifying farmer exemption number provided the landowner shares in the risks of the farming operations and provided the items being purchased by the landowner qualify for the exemption.

Where do I mail the Form E-595QF application?

The application should be mailed to NC Department of Revenue, Registration Unit, P. O. Box 25000, Raleigh, NC 27640-0001.

In lieu of mailing the Form E-595QF application, is there a fax number to which I can fax the application to the Department?

The application may be faxed to the attention of the Registration Unit at (919) 715-2999.

What exemptions from sales and use tax apply to purchases by a qualifying farmer and where can I find more information on such purchases eligible for exemption from the tax?

A qualifying farmer is allowed an exemption from paying sales and use tax on certain purchases of items used for farming purposes in the planting, cultivating, harvesting, or curing of farm crops or in the production of dairy products, eggs, or animals per N.C. Gen. Stat. § 105-164.13E. For more information concerning what items qualify for exemption from sales and use tax when purchased by a qualifying farmer for farming purposes, see Sales and Use Tax Technical Bulletins 8, 9, and 10 located at the following links. The information at the links has not been updated to include the income and other requirements for a qualifying farmer or a conditional farmer in effect as of July 1, 2014:

<http://www.dornc.com/practitioner/sales/bulletins/section8.pdf>

<http://www.dornc.com/practitioner/sales/bulletins/section9.pdf>

<http://www.dornc.com/practitioner/sales/bulletins/section10.pdf>.

I submitted the Form E-595QF application to the Department to apply for a qualifying farmer exemption certificate number and I meet the requirements to obtain a qualifying farmer exemption certificate number but I have not received my new qualifying farmer exemption certificate number. Can I continue to use my old agricultural exemption number for qualifying purchases?

A person that meets the definition of a "qualifying farmer" may continue to use the previously assigned agricultural exemption certificate number for qualifying purchases made prior to October 1, 2014. Upon receipt of a new qualifying farmer exemption certificate number issued by the Department, the qualifying farmer must issue a new Form E-595E, Streamlined Sales and Use Tax Agreement Certificate of Exemption, or other exemption information required per N.C. Gen Stat. § 105-164.28 to each retailer including the newly assigned number in order to claim an exemption from sales and use tax on qualifying purchases for use in farming operations on or after October 1, 2014.

I am a person that recently began engaging in farming operations and I have not met the \$10,000 gross income requirement for the preceding income tax year or an average gross income for the preceding three income tax years of \$10,000 or more from farming operations. Can I obtain a qualifying farmer exemption certificate number?

No. However, a person that intends to engage in farming operations who does not meet the definition of a “qualifying farmer” as of July 1, 2014, may apply to the Department for a **conditional farmer exemption certificate number**. To apply for a conditional farmer exemption certificate number, a person must certify that the person intends to engage in a farming operation as described in N.C. Gen. Stat. § 105-164.13E(a) and that the person will timely file State and federal income tax returns that reflect income and expenses incurred from a farming operation during the income tax years that the conditional farmer exemption certificate applies. To apply for a conditional farmer exemption certificate, complete and submit Form E-595CF, Application for Conditional Farmer Exemption Certificate Number for Qualified Purchases.

Do I need to submit an application (Form E-595QF) if I am a commercial logger, fisherman, or veterinarian, to qualify for an exemption certificate?

No. A commercial logger, commercial fisherman, or veterinarian must use Form E-595EA, Application for Commercial Fisherman, Commercial Logger, and Veterinarian Exemption Certificate Number for Qualified Purchases, to apply for an exemption certificate number.

As a qualifying farmer purchasing an item for a qualifying farm use, what do I present to the vendor as the vendor’s authority to not charge sales or use tax on a qualifying purchase?

A qualifying farmer must issue Form E-595E, Streamlined Sales and Use Tax Agreement Certificate of Exemption, or other exemption information required per N.C. Gen. Stat. § 105-164.28 to each retailer which should include the qualifying farmer exemption certificate number to claim an exemption from sales and use tax on a qualifying purchase for use in a farming operation. Form E-595E can be obtained at the following link: http://www.dornc.com/downloads/fillin/E595E_webfill.pdf.

If I am not a resident of North Carolina but purchase items in North Carolina for use in a farming operation inside or outside of North Carolina, am I required to apply for a qualifying farmer exemption certificate number to purchase qualifying items exempt from North Carolina sales and use tax?

Yes. However, if you do not meet the requirements for a qualifying farmer exemption certificate number, you may submit Form E-595CF, Application for Conditional Farmer Exemption Certificate Number for Qualified Purchases, provided you meet the requirements for such.

I lost my qualifying farmer exemption certificate card issued by the Department. How can I obtain a replacement card?

Fax your request for the replacement exemption certificate card to (919) 715-2999. Include in the request, your name or company name, address, telephone number, and qualifying farmer exemption certificate number. If you do not know the exemption certificate number, you must include your individual Social Security number (sole proprietorship) or the Federal Identification number if the qualifying farmer

exemption certificate number was issued to an entity. You may also contact the Taxpayer Assistance and Collection Center at 1-877-252-3052 (toll-free) to request a replacement card.

I no longer meet the requirements of a qualifying farmer. How do I cancel my certificate and number?

Send a letter containing the name, FID/SSN, exemption number, and date that you either stopped engaging in a farming operation or failed to meet the income threshold for a qualifying farmer to the NC Department of Revenue, Registration Unit, P. O. Box 25000, Raleigh, NC 27640-0001.